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No. 05-130

IN THE
Supreme Court of the United States

EBAY, INC., *et al.*,
Petitioners,

v.

MERCEXCHANGE, L.L.C.,
Respondent.

On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

AMICUS CURIAE BRIEF OF THE BUSINESS SOFTWARE ALLIANCE, SOFTWARE & INFORMATION INDUSTRY ASSOCIATION, INFORMATION TECHNOLOGY INDUSTRY COUNCIL, AND INFORMATION TECHNOLOGY ASSOCIATION OF AMERICA IN SUPPORT OF PETITIONER

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INTEREST OF AMICI CURIAE[1]

The Business Software Alliance ("BSA") is an association of the world's leading software and hardware technology companies. The BSA member companies create and supply much of the software and hardware infrastructure for personal computers and the Internet and are responsible for the majority of the world's office productivity software. BSA members include Adobe Systems, Inc., Apple Computer, Inc., Autodesk, Inc., Avid Technology, Inc., Bentley Systems, Inc., Borland Software Corporation, Cadence Design Systems, Inc., Cisco Systems, Inc. CNC Software/Mastercam, Inc., Dell, Inc., Entrust, Inc., Hewlett Packard Development Company, L.P., IBM Corporation, Intel Corporation, Internet Security Systems, Inc., Macromedia, Inc., McAfee, Inc., Microsoft Corporation, Parametric Technology Corporation, RSA Security, Inc., SAP AG, SolidWorks Corporation, Sybase, Inc., Symantec Corporation, UGS Corp., and VERITAS Software Corporation.

The Software & Information Industry Association ("SIIA") is the leading and largest U.S. trade association committed to promoting and protecting the interests of the software and digital content industries. SIIA represents over 700 member companies that develop and market software and electronic content for business, education, consumers and the Internet. SIIA's members are software companies, e-businesses, and information service companies, as well as many electronic commerce companies. Our membership

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[1] Counsel of record for all parties has consented to the filing of this brief. Their letters of consent have been filed with the Clerk. No party or counsel to a party has authored this brief in whole or in part, and no person or entity other than those submitting this brief has made any financial contribution to its preparation or submission.

consists of some of the largest and oldest technology enterprises in the world, as well as many smaller and newer companies.

The Information Technology Industry Council ("ITI") represents the leading U.S. providers of information technology (IT) products and services. ITI is the voice of the high tech community, advocating policies that foster U.S. economic growth and job creation by advancing U.S. leadership in technology and innovation; expanding market access for IT products; protecting consumer privacy and choice; promoting e-commerce; and enhancing the global competitiveness of its member companies. ITI member companies include Accenture, Agilent Technologies, AMD, Apple, Applied Materials, Canon U.S.A., Cisco, Corning, Dell, Eastman Kodak, eBay, EMC, Hewlett-Packard, Honeywell, IBM, Intel, Lexmark, Micron, Microsoft, National Semiconductor, NCR, Oracle, Panasonic, QUALCOMM, Inc, SAP, Sony Electronics, Sun Microsystems, Symbol Technologies, Tektronix, Time Warner, Unisys and VerSign.

The Information Technology Association of America ("ITAA") provides 380 corporate members with global public policy, business networking, and national leadership that promote the continued rapid growth of the IT industry. ITAA members range from the smallest IT start-ups to industry leaders in the Internet, software, IT services, digital content, systems integration, telecommunications, and enterprise solution fields.

BSA, SIIA, ITI and ITAA members are involved in an industry that relies greatly on research and development of patented products. In turn, their members may be significantly affected by decisions changing patent law and are thus concerned with the Federal Circuit's *per se* rule

mandating the issuance of an injunction following a finding of infringement unless "exceptional circumstances" exist. Accordingly, BSA, SIIA, ITI and ITAA respectfully believe that this brief will aid the Court in understanding the improper nature of the Federal Circuit's *per se* rule and its undermining effect on patent policy particularly with respect to the technology field of their members.

SUMMARY OF ARGUMENT

Amici Curiae the Business Software Alliance ("BSA"), the Software & Information Industry Association ("SIIA"), the Information Technology Industry Council ("ITI"), and the Information Technology Association of America ("ITAA") respectfully submit that review should be granted of the Federal Circuit's decision in *MercExchange, L.L.C. v. eBay, Inc, 401 F.3d 1323 (Fed. Cir. 2005)* that "courts will issue permanent injunctions against patent infringement absent exceptional circumstances." *Id.* at 1339. This "exceptional circumstances" standard, however, effectively strips trial courts of the discretion to enter or withhold permanent injunctions, which discretion is explicitly granted to the courts by the patent statute. *See* 35 U.S.C. § 283 (stating that district courts "may grant injunctions in accordance with the principles of equity").

In creating this *per se* rule, the Federal Circuit ignored the plain language of section 283, this Court's instructions on the applicable "principles of equity," and indeed, even the Federal Circuit's own statements that the district court is in the best position to decide the form of remedy for patent infringement. Instead, the Federal Circuit implemented a *per se* rule that instructs district courts to issue permanent injunctions absent "exceptional circumstances." In doing so, the Federal Circuit exceeded its authority and rewrote section 283 to remove the district

courts' discretion to enter permanent injunctions, a power reserved only to Congress.

The Federal Circuit's facile blanket rule that all patentees have the "right" to an injunction, without consideration of all the equitable factors that might counsel against it, will have a serious negative impact on the technology and software industries. With a "right" to an injunction, patent holding companies may have a decided advantage in bargaining power over the target technology companies providing goods and services to the public – a condition with significant negative implications.

Facing mandatory injunctions, innovating technology and software companies are frequently forced into unfair license agreements because design changes are impractical. Products and services provided by the technology and software industries can often contain hundreds, if not thousands, of integrated parts or processes. These parts and processes, in turn, are typically designed to conform to uniform standards enabling universal application by consumers or are designed for forward and backward compatibility ensuring that products currently in use can continue to be used with evolving technology. This complex interrelationship between elements, however, makes it impractical for industries to simply stop using certain parts or processes without engaging in expensive re-design of entire systems. Consumers will either bear the cost of extensive redesign or will lose uniformity and compatibility in important technology.

In addition, if patent holders do not participate in the marketplace, they are immune to counterclaims for patent infringement by the target companies – a factor that usually brings balance to the negotiations between competitors in the marketplace. On the other hand, the target companies are

often at risk that an injunction could shut operations down or drastically impact customer operations. Under these scenarios, defective, narrow or invalid patents are not winnowed, but to the contrary grow stronger with each license.

The policy of the patent statutes will be restored by adhering to the plain language of Section 283 and rejecting the Federal Circuit's *per se* rule. With the restoration of the district court's discretionary equitable powers, technology and software industries, so vital and important to American trade and commerce, will not suffer the debilitating effects of the Federal Circuit's rigid rule. Without review by this Court, however, the *per se* rule will go unchallenged or examined by contrary views, protected by the Federal Circuit's exclusive jurisdiction. The serious nature of these issues requires the grant of the petition for certiorari. For these and the reasons set forth below, BSA, SIIA, ITI and ITAA respectfully submit that the petition for a writ of certiorari should be granted.

ARGUMENT

I. The Federal Circuit Impermissibly Exceeded Its Authority By Rewriting 35 U.S.C. § 283 And Thereby Removing The Discretion Of The District Court To Enter Permanent Injunctions.

In *MercExchange*, the Federal Circuit disregarded the plain language of 35 U.S.C. § 283 that unambiguously states that district courts "may grant injunctions in accordance with the principles of equity." Instead, the Federal Circuit implemented a *per se* rule that mandates the issuance of an injunction unless "exceptional circumstances" exist. *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d at 1338-39. In doing so, the Federal Circuit exceeded its authority by

rewriting the statute in a manner that contradicts the plain language of the statute.

Congress left no doubt as to its intention in enacting section 283 when it used the permissive qualifier "may." *See Farmers' & Merchs.' Bank of Monroe, N.C. v. Federal Reserve Bank of Richmond, Va.*, 262 U.S. 649, 662-63 (1923) (noting that while "may" is sometimes construed as "shall," such construction only occurs when the context or subject matter compels it); *United States v. Cook*, 432 F.2d 1093, 1098 (7th Cir. 1970) (stating that the word "may" as opposed to "shall" is indicative of discretion). Indeed, as this Court explained:

> [R]eading 'may' as either conferring or confirming a degree of equitable discretion conforms to the even more important principle of statutory construction that Congress should not lightly be assumed to have enacted a statutory scheme foreclosing a court of equity from the exercise of its traditional discretion.

United States v. Rodgers, 461 U.S. 677, 708 (1983).

Critically, nothing in the patent statute, or for that matter in the history of patent jurisprudence before the creation of the Federal Circuit, compels a different construction. *See Weinberger v. Romero-Barcelo*, 456 U.S. 305, 313 (1982) (noting that Congress is "assuredly well aware" of the considerations applicable in cases where injunctions are sought); *see, e.g., Foster v. American Mach. & Foundry Co.*, 492 F.2d 1317, 1324 (2d Cir. 1974) ("An injunction to protect a patent against infringement, like any other injunction, is an equitable remedy to be determined by the circumstances. It is not intended as a club to be wielded

by a patentee to enhance his negotiating stance."). The only expressed limitation in the patent statute on that discretion is that injunctions be entered "in accordance with the principles of equity."

Undeniably evident from the plain language of the statute, therefore, Congress intended that the district courts use their discretion when deciding whether to issue injunctions and to be guided by the principles of equity when making that decision. *See Connecticut Nat'l Bank v. Germain*, 503 U.S. 249, 253-54 (1992) ("We have stated time and again that courts must presume that a legislature says in a statute what it means and means in a statute what it says there.").

Faced with such unambiguous language, the Federal Circuit must uphold those terms. *See Dodd v. United States*, 125 S. Ct. 2478, 2483 (2005) ("'[W]hen the statute's language is plain, the sole function of the courts -- at least where the disposition required by the text is not absurd -- is to enforce it according to its terms.'") (quoting *Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 6 (2000)). Equally important, the Federal Circuit cannot rewrite the statute or ignore its plain language. *Dodd v. United States*, 125 S. Ct. 2478, 2483 (2005) (stating that courts are "not free to rewrite the statute that Congress has enacted.").

Even the Federal Circuit in its earliest opinions after its creation recognized the specific mandate from Congress that allowed district courts to exercise their discretion when fashioning injunctive relief. The Federal Circuit acknowledged that the determination to apply injunctive relief is not an exact science but depends on the circumstances of each case. *Stickle v. Heublein, Inc.*, 716 F.2d 1550, 1563 (Fed. Cir. 1983) ("Injunctions and damages

must be tailored to the circumstances and be correlatively determined."). Likewise, the Federal Circuit recognized the discretionary nature mandated by section 283 stating that:

> Section 283, by its terms, clearly makes the issuance of an injunction discretionary: the court '*may grant*' relief '*in accordance with the principles of equity.*' The trial court thus has considerable discretion in determining whether the facts of a situation require it to issue an injunction. The scope of relief, therefore, is not for us to decide at the first instance, nor is this the time or place for a discourse on the 'principles of equity.' Whether an injunction should issue in *this* case, and of what form it should take, certainly depends on the equities of the case.

Roche Prod., Inc. v. Bolar Pharm. Co., 733 F.2d 858, 865 (Fed. Cir. 1984) (emphasis in original) ("Since we hold that there is infringement, Roche is entitled to a remedy. We are not in a position, however, to decide the form of that remedy.").

In subsequent decisions, however, the Federal Circuit quickly narrowed its construction of section 283 and eroded the district court's discretion. After *Roche*, the Federal Circuit noted, "injunctive relief against an infringer is the norm." *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1524 (Fed. Cir. 1985). The Federal Circuit also indicated "an injunction should issue once infringement has been established unless there is a sufficient reason for denying it." *W.L. Gore & Assoc., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988). The Federal Circuit later elevated its standard for permanent injunctions to a "general rule" that injunctions should issue when infringement is

found. *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1247 (Fed. Cir. 1989) ("It is the general rule that an injunction will issue when infringement has been adjudged, absent a sound reason for denying it.").[2]

With its decision in *MercExchange*, the Federal Circuit has now elevated its general rule to essentially a *per se* rule that instructs the district court to enter injunctions unless "exceptional circumstances" justify its denial. In doing so, the Federal Circuit impermissibly acted as a legislative body and determined prospectively the circumstances under which permanent injunctions will issue. *See United States v. Rutherford*, 442 U.S. 544, 555 (1979) ("Under our constitutional framework, federal courts do not sit as councils of revision, empowered to rewrite legislation in accord with their own conceptions of prudent public policy.")

II. The Federal Circuit Departed from the Fundamental Principles of Equity as Explained by This Court.

By rewriting section 283, the Federal Circuit has ignored the fundamental principles of equity – principles that find their roots in fairness, rather than strict rules of law. *Freeman v. Pitts*, 503 U.S. 467, 487 (1992) ("The essence of a court's equity power lies in its inherent capacity to adjust remedies in a feasible and practical way to eliminate the conditions or redress the injuries caused by unlawful action.

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[2] As discussed further below, the Federal Circuit unjustifiably based its general rule on the property characteristics of a patent stating that "[i]nfringement having been established, it is contrary to the laws of property, of which the patent law partakes, to deny the patentee's right to exclude others from use of his property. 35 U.S.C. § 261. '[T]he right to exclude recognized in a patent is but the essence of the concept of property.'" *Richardson* at 1246-47.

Equitable remedies must be flexible if these underlying principles are to be enforced with fairness and precision.") Indeed, it turns the concept of equity on its head to prospectively mandate equitable relief and thereby change a remedy that is supposed to be fashioned from a balance of competing interests in a particular case into a *per se* rule of law that injunctions will issue as a matter of course for all cases absent exceptional circumstances. This Court, however, has rejected such a strict approach to injunctions. *See Weinberger v. Romero-Barcelo*, 456 U.S. 305, 313 (1982) ("[A] federal judge sitting as chancellor is not mechanically obligated to grant an injunction for every violation of law."); *Harrisonville v. W.S. Dickey Clay Mfg.*, 289 U.S. 334, 337-38 (1933) ("For an injunction is not a remedy which issues as of course.").

Because of the extraordinary nature of the relief, "courts of equity should pay particular regard for the public consequences in employing the extraordinary remedy of injunction." *Weinberger*, 456 U.S. at 312. "In each case, a court must [also] balance the competing claims of injury and must consider the effect on each party of the granting or withholding of the requested relief." *Amoco Prod. Co. v. Village of Gambell, Alaska*, 480 U.S. 531, 542 (1987).

In following that guidance, the *MercExchange* court found that the patentee did not engage in commercial activity of its own, but instead existed merely to license others, *MercExchange, L.L.C. v. eBay, Inc.*, 275 F. Supp. 2d 695, 712 (E.D. Va. 2003), found that the patentee had an adequate remedy at law because of its expressed willingness to license, *id.* at 713, and recognized a public policy concern over business-method patents as evidenced by actions taken within the Patent Office and Congress. *Id.* at 713-14. On balance, the district court concluded that a permanent injunction should not issue.

The Federal Circuit, however, ignored the balance struck by the district court and instead found a "right" in the patentee to an injunction. *See MercExchange*, 401 F.3d at 1339 ("The fact that MercExchange may have expressed willingness to license its patents should not, however, deprive it of the *right to an injunction* to which it would otherwise be *entitled*.") (emphasis added). Besides elevating an equitable *remedy* to a right, the Federal Circuit's refusal to look at the commercial activity of the patentee contradicts the Supreme Court's suggestion in *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 429-30 (1908) that a patentee's nonuse of his invention may indeed counsel against an injunction if the failure to use the invention adversely affects the public welfare.

In *Continental Paper Bag*, the petitioner contended that a court of equity could not enjoin patent infringement where the patentee had unreasonably withheld use of his invention. The patentee, on the other hand, argued that its failure to use the invention was not unreasonable because the cost of implementing the invention in its paper bag manufacturing facility would have been too expensive. *Id.* at 429. The Court rejected the contention that the non-use was unreasonable and sustained the injunction. *Id.* As to the public interest, however, this Court found "it is certainly disputable . . . that the rights of the public were involved. There was no question of a diminished supply or of increase of prices." *Id.* Indeed, the Court expressly stated that it did not decide the question of whether a court of equity might be justified in withholding relief by injunction where the public welfare is implicated. *Id.* at 430.

Though *Continental Paper Bag* has been subsequently cited for the broad proposition that there is no requirement that a patentee use his invention, *see, e.g., Rite-*

Hite Corp. v. Kelley Co., 56 F.3d 1538, 1547 (Fed. Cir. 1995), nothing in the *Continental Paper Bag* decision removes injunctions in patent cases from their equitable underpinnings. Indeed, rather than a rule of equity, this Court has described the holding of *Continental Paper Bag* as the "failure of the patentee to make use of a patented invention does not affect the *validity* of the patent." *See Special Equip. Co. v. Coe*, 324 U.S. 370, 378-79 (1945) (emphasis added); *see also id.* at 381 *(Harlan, J., dissenting)* (noting that the *Continental Paper Bag* case held that suppression of the patent was no defense to infringement).

In sum, equitable remedies must be flexible if fairness to the litigants and public is to be achieved and this Court's equity principles are to be followed. *See Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944) (stating that "flexibility rather than rigidity has distinguished" relief based on equity jurisdiction). Even outside the context of injunctions, this Court has always taken a flexible approach to the construction and application of the patent laws, recognizing that the patent laws promote the broad objective of progressing science and technology. *See e.g., Diamond v. Chakrabarty*, 447 U.S. 303, 315-16 (1980) (noting that Congress employed broad language in the subject-matter provisions of the patent laws to support the broad objective of the progress of science and the useful arts.) The Federal Circuit ought not abandon this approach to the patent laws as applied to injunctions.

III. A Patentee's Property Rights Do Not Justify the Emasculation of the District Court's Injunction Discretion by the Federal Circuit.

The Federal Circuit misplaces its justification for its *per se* rule on the right of the patentee as a property owner. It concluded the "right to exclude recognized in a patent is

but the essence of the concept of property." *MercExchange*, 401 F.3d at 1338 (quoting *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1246-47 (Fed. Cir. 1989). Whether the issuance of a patent grants a property right or not,[3] the existence of such a property right does not justify the Federal Circuit's *per se* rule regarding the *remedy* for infringement of that right. Courts have long applied the principles of equity in property cases and have exercised their discretion when determining whether an injunction should issue to protect property rights. *See Harrisonville v. W.S. Dickey Clay Mfg.*, 289 U.S. 334, 338 (1933) ("Where substantial redress can be afforded by the payment of money and issuance of an injunction would subject the defendant to grossly disproportionate hardship, equitable relief may be denied although the nuisance is indisputable. This is true even if the conflict is between interests which are primarily private."); *see also Hunter v. Carroll*, 15 A. 17, 18 (N.H. 1888) (holding that an injunction will not issue when the hardships were greatly disproportionate to the defendant even when defendant indisputably encroached upon plaintiff's land); *Mobley v. Saponi Corp.*, 212 S.E.2d 287 (Va. 1975) (denying an injunction because hardship to the defendant and public was disproportionate to the plaintiff's injury).

Indeed, the protection of property does not mandate that injunctive relief will issue when that property is infringed. The ability of real property owners to enjoin trespass, for example, is not unfettered, but is moderated by equitable considerations. *See, e.g., Hirshfield v. Schwartz*, 91 Cal. App. 4th 749, 758-59 (Cal. Ct. App. 2001):

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[3] Some commentators have urged that patents are best viewed as government subsidies rather than a property right. *See, e.g.*, Mark A. Lemley, *Property, Intellectual Property, and Free Riding*, 83 Tex. L. Rev. 1031, 1032 (2005).

> California courts have long applied the relative hardship doctrine in determining whether to grant an injunction to enjoin a trespass by encroachment on another's land. Under this doctrine, once the court determines that a trespass has occurred, the court conducts an equitable balancing to determine whether to grant an injunction prohibiting the trespass, or whether to award damages instead.

See also LeFurgy v. Long Cove Club Owners Assoc., 443 S.E.2d 577, 578 (S.C. Ct. App. 1994):

> In a case where an injunction is sought to abate an alleged private nuisance, the court must deal with the conflicting interests of the landowners by balancing the benefits of an injunction to the plaintiff against the inconvenience and damage to the defendant, and grant or deny an injunction as seem most consistent with justice and equity under the circumstances of the case.

In the context of other areas of intellectual property, injunctions do not necessarily follow from judgments of infringement. *See United States Jaycees v. Cedar Rapids Jaycees*, 794 F.2d 379, 382 (8th Cir. 1986) (upholding the denial of injunctive relief under the Lanham Act and noting that courts must apply the principles of equity even when trademark infringement is clear and deliberate); *American Metro. Enter. of New York, Inc. v. Warner Bros. Records, Inc.*, 389 F.2d 903, 905 (2d Cir. 1968) ("The Copyright Act expressly preserves the traditional doctrines of equity when one seeks equitable remedies in a copyright action.").

Contrary to the Federal Circuit's suggestion that an injunction, absent exceptional circumstances, is the only manner of vindicating a patent property right, the patent statute recognizes only compensatory damages as the sole mandatory manner of relief to be given to a patentee. While section 283 *permits* an injunction to protect a patentee's property rights, 35 U.S.C. § 284 states that "the court *shall* award the claimant damages adequate to compensate for the infringement, but in no event less that a reasonable royalty for the use made of the invention by the infringer." Congress struck a balance with the remedies available for patent infringement, making a reasonable royalty, not an injunction, the minimum, adequate relief for patent infringement. The Federal Circuit cannot recast that balance. *See United States v. Oakland Cannabis Buyers' Coop.*, 532 U.S. 483, 497 (2001) ("Courts of equity cannot, in their discretion, reject the balance that Congress has struck in a statute.").

IV. A *Per Se* Rule Mandating Patent Injunctions Is Contrary To The Policies Underlying The Patent Laws.

The United States Constitution authorizes the granting of patent rights "to promote the Progress of Science and the useful Arts." U.S. Const. art. I, § 8, cl. 8. The purpose of this clause is ultimately to benefit the public. *See Kendall v. Winsor*, 62 U.S. 322, 327-28 ("It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public or community at large was another and doubtless the primary object in granting and securing that monopoly."). It is thus contrary to the purpose of the patent statute to disregard factors that would hinder

the policy of promoting the useful arts or to neglect the public impact when granting injunctive relief.

The Federal Circuit's *per se* rule that all patentees have the "right" to an injunction, however, will have a serious negative impact on the industries that are at the forefront of promoting the useful arts.

By way of background, products and services provided by the technology and software industries can often contain hundreds, if not thousands, of integrated parts or processes, each of which may be covered by patents. These parts and processes, in turn, are often designed to conform to uniform and publicly promulgated standards enabling universal application by consumers and to provide interoperability between products, or are designed for forward and backward compatibility ensuring that products currently in use can continue to be used with evolving technology. This complex interrelationship between elements, however, makes it impractical for these industries to simply stop using certain parts or processes without engaging in expensive re-design and extended re-testing of entire systems.

By way of example, the now ubiquitous wireless networks found in both the home and office are designed in accordance with various standards. *See e.g.*, Introduction to IEEE 802.11 http://www.intelligraphics.com/articles/80211_article.html describing the IEEE Standard 802.11-1997 Information Technology – Telecommunications and Information Exchange Between Systems-Local and Metropolitan Area Networks-Specific Requirements-Part 11: Wireless LAN Medium Access Control (MAC and Physical

Layer (PHY) Specifications. These wireless networks, however, have been the subject at least four patent lawsuits.[4]

For these and other similarly situated defendants, compliance with industry standards may make designing around patents impossible. This problem is particularly acute where the patent infringement accusation does not arise until after the standard has been promulgated and adopted by an industry. With the ability to re-file patent applications after a standard has become public, patent holders can draft patents to target the standard complying products and processes. *See* 35 U.S.C. § 132 (allowing for continued reexamination of patent applications); s*ee also* 37 C.F.R. § 1.114 (2005).

Against this backdrop, patent holding companies endowed by the Federal Circuit with a "right" to an injunction may have a decided advantage in bargaining power over the target technology companies providing goods and services to the public – a condition with significant negative implications. Indeed, this enhanced bargaining power is not going unnoticed by the patent holding companies. Already, hundreds of millions of dollars are being invested in patent acquisition and litigation. *See e.g.* Tomas Kellner, *Perot Backs $200 Million Bet on Patents*, Aug. 9, 2005, http://www.forbes.com/2005/08/09/perot-patents-fund-cz_tk_0809patents.html.

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[4] *See e.g.*, *Intersil to Fight 802.11b Patent Suit*, Mar. 16, 2001, http://www.wi-fiplanet.com/news/article.php/789751; *Symbol Technologies Wins Patent Infringement Litigation Against Proxim, Inc.*, Sept. 15, 2003, http://www.symbol.com/news/pressreleases/misc_symbol_proxim.html; Ben Charny, *Agere files patent suit over Wi-Fi*, Oct. 18, 2002, http://news.zdnet.com/2100-1009_22-962662.html; Eric Griffith, *Wayport in Patent Suit*, Sept. 24, 2004, http://www.wi-fiplanet.com/news/article.php/3412841

Facing mandatory injunctions, innovating technology and software companies are frequently forced into unfair license agreements because, as discussed above, design changes are impractical and the costs of litigation are prohibitive. *See* Wendy H. Schacht and John R. Thomas, Congressional Research Service, *Patent Reform: Innovation Issues*, July 15, 2005; *see* Joseph Rosenbloom, *Unsettled*, 3 IP Law & Business 28 (Sept. 2005) (detailing Research in Motion, Ltd.'s settlement of a patent infringement case for $450 million for fear of injunctive relief against them). Ultimately, consumers will either bear the cost of extensive redesign or will lose uniformity and compatibility in important technology. They may also be forced to make potentially disruptive changes to their own products and processes. These impacts must be taken into account by the trial court when determining the appropriateness of an injunction.

As well, when patent holders do not participate in the marketplace, they are immune to counterclaims for patent infringement by the target companies – a factor that usually brings balance to the negotiations between competitors in the marketplace. *See Patent Reform: Innovation Issues at 9-10.* On the other hand, the target companies are subject to harassment, facing the threat of injunction to stop production of a manufacturer or sales of a supplier of goods. *Id.* Even if the risk of an infringement judgment is low, innovator companies are unwilling to litigate because the threat of injunction puts their businesses on the line. Even worse for the public at large, under this scenario, defective, narrow or invalid patents are not winnowed, but to the contrary grow stronger with each license. *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998) (noting that a secondary consideration supporting nonobviousness and validity of a patent is licenses taken by members of the industry for the patent); *see also* Michael Warnecke, *Questionable Patents Hurt*

Innovation, Reforms Needed, FTC Chairman Remarks, Patent, Trademark & Copyright Law Daily, Nov. 3, 2003; *IPO Survey Shows Corporate Dissatisfaction with Quality of Patents Issued by PTO*, Patent, Trademark & Copyright Law Daily, Sept. 15, 2005.

The effects of the Federal Circuit's *per se* rule is likely not limited to just the innovators and providers of technology, but will extend downstream to the millions of businesses and consumers that rely on the technology as well. As software and technology increasingly support services over networks and the Internet, the Federal Circuit's inflexible *per se* rule of injunctions will also disrupt the expectations of all downstream users – a decidedly inequitable result that will not be considered under the current approach. This downstream ripple effect is inconsistent with the Constitutional mandate to promote the useful arts.

CONCLUSION

If the courts of equity are to administer fairness, indeed if the policies of the patent laws to promote innovation are going to be upheld, then the district courts must have discretion in fashioning remedies for patent infringement on a case by case basis. That is not to say, of course, that injunctions should not be entered or that the Federal Circuit should not review a district court's refusal to enter an injunction. Rather, the Federal Circuit should not command a *per se* rule when separate evaluation of each case is so important.

Accordingly, for the reasons set forth above, *Amici Curiae* the Business Software Alliance, the Software & Information Industry Association, the Information Technology Industry Council and the Information

Technology Association of America respectfully submit that review should be granted of the Federal Circuit's decision in *MercExchange, L.L.C. v. eBay, Inc.*

Respectfully submitted,

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